

**CERTIFIED**



Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]



Date: **MAY 06 1991**

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

The following purposes appear in your Articles of Incorporation:

1. To promote charitable, religious and educational purposes including the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended.
2. To raise, receive and maintain a fund or funds and to allocate and apply the principal and income thereof in furtherance of the aforesaid purposes of the corporation.
3. To administer funds, to invest and reinvest the same in such manner and through such organizations and instrumentalities as the Board of Directors of the corporation may from time to time determine, and to do all things permitted by law which may be necessary or proper for the fulfillment of the corporation.

Conversely, the following purpose appeared in your By-laws:

[REDACTED] seeks to promote and facilitate the development and sharing of business contacts among its members and within the community, with a commitment to the professional growth of its membership and the association.

The following statement appeared in your application Form 1024.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]						
Date	5/6/91						

The purpose of the [REDACTED] is to provide a base for business and social networking in [REDACTED]. The concept allows members to share and exchange ideas and benefit from the expertise each member may have to offer. The group meets monthly and presents a speaker-program of timely and general interest to the members. There is a period both before and after the program when members have the opportunity to meet each other and expand their networking base. Past programs have included talks from lawyers, accountants, stock brokers, financial planners, local businessmen and others. Future activities will follow along the same lines.

Social activities are also a part of [REDACTED]. Past and future group activities include attending baseball games, live theater, concerts and various theme parties. Social activities are for members and their guests and are designed to either function at cost or with subsidies from membership dues.

According to the financial data submitted, your primary source of income is membership fees and monthly meeting revenues. Your primary expense is the cost of holding your monthly meetings.

Membership is open to any individual who works or conducts business in the [REDACTED] and pays the annual dues of \$[REDACTED]. All new members must be sponsored by a current member.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Revenue Ruling 69-527, 1969-2 C.B. 125, states that a social club formed to assist its members in their business endeavors through study and discussion of problems and other activities at weekly luncheon meetings does not qualify for exemption under Section 501(c)(7) of the Code.

Your organization is similar to the organization mentioned in Revenue Ruling 69-527. You were formed to provide your members with the opportunity to expand their business networking base and to aid them in their individual

business endeavors. Any social activities you conduct are merely incidental to the business activities you are conducting; thus, you are not organized and operated exclusively for pleasure, recreation and other nonprofitable purposes.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

  
District Director

Enclosures:  
Publication 892  
Form 6018